



SECTION 2

Preparing the Ten-Year Capital Plan

This section and the appendices that follow are designed to provide specific guidance to agency personnel responsible for preparing a budget for submittal to OFM. Those who have questions about how to prepare their agency's capital plan are encouraged to contact the members of the OFM Capital or Information Services sections (see page 2 of the General Instructions for names and phone numbers) and to coordinate with their assigned OFM Operating Budget Assistant. Agency capital plan submittals will include much of the same information requested in the past, although the guidelines have been changed somewhat to reflect the increased emphasis on long-range capital planning, performance measurement, and cost containment. The diagram on the next page illustrates the components of the submittal process.

2.1 What is a Capital Project?

Term "capital projects"

The term "capital project" identifies specific construction activities based on the cost and longevity of the work to be accomplished. Capital projects involve construction of either new facilities or significant, long-term renewal improvements to existing facilities. Capital projects are funded in agency capital budgets from funds specifically set aside for capital purposes such as highway and other dedicated funds, the proceeds of bond sales or other long-term financing contracts. By definition, grant appropriations are "capital projects."

When used separately, the term "project" in these instructions identifies a line-item appropriation title. For example, the appropriation titles "Special Commitment Center," and "Leg. Bldgs: Safety and Infrastructure" are each "projects." However, the "Leg. Bldgs: Safety and Infrastructure" project has several sub-projects (such as "Cherberg Bldg: Replace Roof" and "Leg. Bldg: Sandstone/North Steps") within the appropriation title.

Capital projects

Capital projects are usually constructed by private contractors and involve an architect or engineer. Construction management is sometimes required, and for larger projects, a value engineering analysis is performed during the design phase.

Schematic Arrangement of Washington State Capital Plan Forms

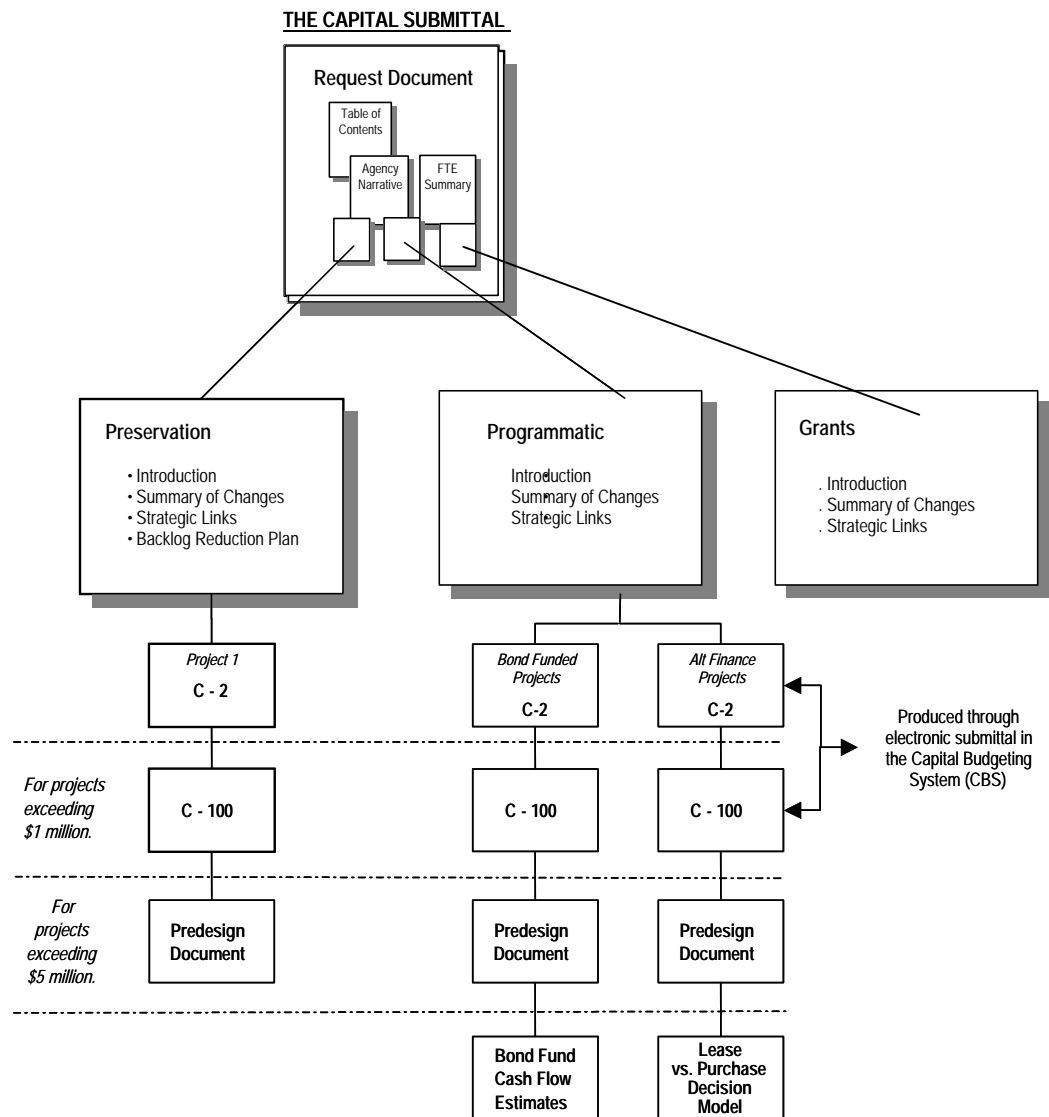
Basic Arrangement

The Ten-Year Capital Plan is divided into three sections which comprise most requests:

- Preservation
- Programmatic
- Grants

The Capital Plan must include a table of contents and a narrative describing agency strategic direction and how the request ties to that direction.

Each section includes a narrative introduction describing how the projects in the section were selected by the agency, and a Capital Program Summary listing all projects in the section in priority order. Alternatively financed project requests must include analysis from the Lease vs. Purchase Decision Model.



Additional Forms

A form C-2, Capital Project Request, is completed for each project in each section. Where necessary, carefully selected additional information is attached to the C-2.

A form C100, Capital Project Cost Estimate, must be completed for each project costing \$1 million or more.

A **Predesign Document** (including Form C100) must be prepared for each major project with a total cost of \$5 million or more.

The **Bond Fund Cash Flow Estimate** must be submitted.

OFM has established a dollar cost limit and a useful life for capital projects to be eligible for financing from bond proceeds. The minimum threshold for a project to be eligible for bond financing continues at \$25,000 and a 13-year useful life.

Capital projects are classified as preservation, programmatic or grant projects, based on their intended purpose:

Preservation projects change efficiency of use and may enhance program delivery. They do not change program use.

- **Preservation** projects maintain and preserve existing state facilities and assets, and do not significantly change the program use of a facility. Examples include renovation of building systems and finishes, utility system upgrade, repairing streets and parking lots, etc. Projects undertaken to preserve existing assets will be reviewed and compared on a technical basis so that the most urgently needed work is financed first. Preservation category projects will not be driven by or result in significant program impacts, and generally have little effect on future operating programs and budgets, except for reductions in the agency's maintenance costs and the deferred maintenance backlog.

Program projects change use or provide new space for new program goals.

- **Program** projects achieve a program goal such as changing or improving an existing space to new program requirements, or creating a new facility or asset through construction, lease and/or purchase. This category is quite broad, and includes projects ranging from building new facilities to significant renovation of existing facilities. Program projects may also improve conditions, accommodate changes in services or clientele, or increase or maintain federal reimbursement. Program projects must be tied to the agency's strategic plans by identifying the strategic goals that the project supports.

Grant projects provide capital appropriations to state, tribal, local or community organizations for development of special facilities.

- **Grant** projects provide capital appropriations to state, tribal, local or community organizations for development of special facilities. In general, grant programs are either established in statute or have specific legislative provisions associated with the dispensation of the appropriated funds. Agencies who have statutory grant programs should submit ten-year capital budget requests within the limits established by statute. Agencies whose grant programs have no specified appropriation limits should submit two-year biennial appropriation requests based on their historical biennial expenditure history for the grants. Grant projects should be linked to the agency's strategic plan and should have associated performance measures identified in their operating budgets.

Ordinary or normal maintenance

Given the short useful life of repairs or maintenance activities, costs for ordinary or normal maintenance are not included in the capital budget. Ordinary or normal maintenance are small, temporary or routine repairs necessary to keep an existing facility or asset in useful condition. The work maintains or preserves the usefulness of an asset rather than changing or significantly improving it, and there is usually little or no effect on operating costs of the facility at the completion of the work. The underlying purpose of repairs or maintenance projects is to prevent or defer the need for a larger capital project.

Usually, minor repairs or maintenance work can be done by agency trades staff or by private contractors, and there is generally no need for involvement of an architect or engineer.

2.2 Individual Capital Project Requests

Capital project requests will be submitted through CBS. Agencies should attend the training sessions for CBS or refer to the system for information on how to operate the system. Detailed instructions for information requirements are included in Section 3 and are also available under the BASS and CBS Help options.

Major capital projects \$5 million and over

Major capital projects have one or more of the following features: cost more than \$5 million (regardless of fund sources), lease more than 30,000 new gross square feet of space, or take two or three biennia to design, construct, and occupy.

In summary, the following applies to program projects greater than \$5 million:

- They must be requested individually through CBS, with general estimates of size and cost.
- Predesign studies are required. (Note: Predesign studies must be preceded by an OFM approved Project Request Report.)

Submittal requirements for all programmatic projects are the same, regardless of funding source with one exception: Certificates of Participation (COPs) financing that involve a self-supporting enterprise fund. In this instance, the agency or institution has authority to independently finance the project but is using the COP process for appropriation authority. A comprehensive project description and financing plan are all that are required as part of the agency's capital plan.

Requests for predesign funding

Agencies requesting funding for the predesign phase of a major capital project must include a Form C-2 (CBS will create the required forms). Feasibility studies, master plans, engineering reports, and other information gathered by the agency should be submitted in support of the predesign request. *Please note that the CBS C-2 is intentionally a different C-2 form than used for the Project Request Report in the Predesign Manual.*

Predesign studies for projects proposed for funding in 2003-05 are due no later than July 1, 2002

Predesign studies must comply with the standards identified in the OFM Predesign Manual, revised in June 2001. Predesign studies for which design or construction funds will be requested in 2003-05 are due at OFM no later than July 1, 2002. Failure to meet this deadline may affect the inclusion of the project in the 2003-05 Capital Budget.

Requests for design/construction funding

If a predesign study is approved by OFM, all requests for design/construction funding must include:

- A project request report previously reviewed by OFM and Legislative staff with any updates noted.
- A completed operating budget decision package that reflects future operating budget impacts
- A detailed cost estimate submitted electronically including Form C-100 for design, construction, and occupancy funding requests. The Excel template is available on line at www.ofm.wa.gov/capital.htm

Leases

For program projects that involve new leases for more than 30,000 new gross square feet, the following requirements apply:

- Agencies must complete a lease/purchase analysis using the General Administration model.
- The purchase cost used in the analysis must be backed by a C-100 cost estimate.
- A completed operating budget decision package, including feasibility studies, master plans, space programming and operating budget impacts, needs to be submitted.

Projects between \$1 million and \$5 million

Programmatic projects under \$5 million should include a predesign study when the project has significant policy implications or technical, logistical, or cost concerns to a program or agency. For these smaller valued projects, predesign, design, and construction funds may be requested together in one appropriation. A review by OFM staff prior to the submittal of the capital plan is recommended if a project appears to fit within this category. Preservation projects under \$5 million do not require a predesign study. However, many of the steps contained in a predesign study are useful in generating information and options necessary for analysis of any project.

The following applies to projects between \$1 million and \$5 million:

- They must be requested individually or as an Omnibus request grouped by category and submitted through CBS.
- Predesign studies may be required for programmatic projects.
- Form C-100 must be submitted for design, construction, and occupancy funding requests.

Projects between \$25,000 and \$1 million

Capital projects with an estimated value between \$25,000 and \$1 million are requested on Form C-2. Form C-100 can be included if details are known.

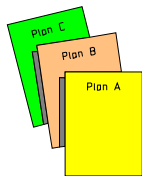
The following applies to projects between \$25,000 and \$1 million:

- Projects that affect policy or are particularly sensitive must be requested individually.
- A narrative description and justification for the project must be provided.
- Agencies may be required to provide additional justification detail on these projects during the executive and legislative budgeting process.

2.3 Omnibus Projects

Omnibus minor works projects

Omnibus minor works projects are single-line appropriations that include multiple, smaller projects of a similar nature and purpose valued between \$25,000 and \$1 million.



Management of small and related capital projects is more efficient under one larger capital appropriation, rather than several smaller individual appropriations every few years. Likewise, an effective capital budget strategy (especially for preservation projects) is to combine a number of similar projects into one larger consolidated group. Agencies should consolidate smaller projects into omnibus project requests and, whenever possible, omnibus project requests should incorporate all improvements, renovations, and upgrades necessary at a specific facility for the foreseeable future. Contact the OFM Capital Section with questions on grouping Minor Works projects.

New minor works categories



In conjunction with a study currently being conducted by the Joint Legislative Audit and Review Committee (JLARC), the minor works categories have been standardized. Currently, omnibus minor works projects and appropriations are defined and categorized a number of ways across agencies, providing little basis for comparison. To ensure greater consistency and comparability of capital plans and budget requests, standard categories have been adopted for all agencies. These standard categories are not intended to change the way agencies prepare and internally prioritize requests, only how they are categorized in capital budget submissions.

The new categories are: 1) Health, Safety, and Code Requirements; 2) Facility Preservation; 3) Infrastructure Preservation; and 4) Program. These categories are discussed in Section 3.1. Agencies should submit separate omnibus requests for each category through CBS.

2.4 Grant and Special Projects

Pool funds eliminated

Funds for hazardous materials, underground storage tanks (USTs) and the Americans with Disabilities Act (ADA) were eliminated by the 57th Legislature. These were originally planned for phase out by the 2003-05 Biennium. Legislative expectation is that ADA and UST improvements will continue to be made as part of minor works or major renovations to existing facilities.

<i>Energy conservation</i>	Energy conservation considerations should be included within the C-2 narrative section, identifying choices made in the predesign phase and how these measures meet the Governor's directive that buildings be designed and built to lowest life cycle cost. For assistance in developing the energy-related components of project requests, contact the Energy Program Manager, Department of General Administration (GA) through the Division of Engineering and Architectural Services at (360) 902-7272.
<i>Emergency funds</i>	Emergency funds may be requested as omnibus appropriations based on prior spending history within the agency. A clear description of the process used to allocate funds to specific projects should be attached, and amounts provided for this purpose and their use in the last three biennia identified.
<i>Grants and special projects</i>	Grants and special projects are single-line appropriations that may include multiple, smaller sub-projects and are similar in their budget requests to Omnibus project requests. Grant project requests generally require a list of grantees and project names.
<i>Salmon recovery requests</i>	OFM will be working with natural resources agencies to develop and coordinate salmon recovery related requests. As part of this process, agencies are asked to specifically identify capital projects related to salmon recovery in their biennial budget submittal. In order to track these requests, OFM will provide more detailed instructions to agencies in early June. Please contact Jim Skalski, (360) 902-0654, if you have questions or need clarification.
<i>Thurston County projects</i>	RCW 43.01 directs GA to assess agencies for two costs related to the construction, renovation, and occupancy of certain space owned and managed by GA in Thurston County. One of these charges is the recovery of financing costs related to construction or major renovation projects, and the other is a capital projects surcharge levied in agency operating budgets to cover some of the costs of capital projects in Thurston County. (These charges are in addition to all existing facilities and services, seat of government, and Division of Real Estate Services lease management charges.) Both of these additional charges will occur in the operating budgets of affected agencies. Please refer to the OFM 2003-05 Operating Budget Instructions - Part 2 for additional information about these charges.

The capital project surcharge is collected from all agencies housed in GA owned-and-managed facilities in Thurston County except those occupying the Ecology, Natural Resources, Labor and Industries, and Highways Licenses buildings. These four buildings have separate financing cost-recovery agreements and are exempt from the capital project surcharge until the current cost recovery agreements expire.

Capital project surcharge

State statute allows increases to the capital project surcharge over time until it reaches \$5 per square foot or until the surcharge, in combination with the GA facilities and services charge, reaches market value. The capital project surcharge is included in the OFM revolving fund adjustments made to agency's operating budgets.

The financing cost-recovery charge (debt service) applies to those facilities being purchased, constructed or undergoing major renovation, and will begin once agencies occupy the new or newly renovated space. This charge, like the Capital Project Surcharge is an OFM revolving fund adjustment.

GA will include financing plans in its Ten-Year Capital Plan requests for such new construction or major renovation projects. Tenant agencies must include funds in their operating budget requests to pay the financing cost-recovery charges in the biennium in which they occupy the new or newly renovated space. GA and the tenant agencies will coordinate their requests.

2.5 The Ten-Year Capital Plan Submittal

What should the ten-year plan include?

Agency capital narrative provides a linkage to the agency mission and strategic plan, its capital facilities and their condition, and performance measures in the operating budget related to programmatic capital project requests. Also, an explanation of changes from the previously submitted Ten-Year Plan, and expected policy initiatives in the next decade. The capital narrative should:

- Link to the strategic plan and/or how the project accommodates strategic direction.
- Be consistent with operating budget requests.
- Describe why this project is the preferred alternative and how this project addresses the described need.
- Briefly describe alternatives considered and consequences of deferral.
- Include updated information about each project, and describe major changes from the Governor's 2001-2011 Capital Plan.
- A C1 – Ten-Year Capital Program Summary, printed from

the CBS, listing the projects in the Ten-Year Plan in priority sequence.

What should the biennial budget request include?

Preservation budget request describes those proposed projects intended to preserve and protect existing physical assets. The preservation request should be based on the backlog reduction plan that is further described in Section 10. Preservation requests also need to include narrative regarding:

- Ties to strategic direction.
- Program impact of deferral.
- Describe priority of action.
- Alternatives of reinvestment (preservation vs. replacement) if preservation costs exceed 50 percent of the value of asset being maintained.

Program budget request lists those projects necessary to address program needs. Performance measures from operating budget proposals should be submitted with the related programmatic capital project request.

Grant budget request identifies agency performance measures from operating budget proposals related to the grants.

Alternate financing request identifies those proposed projects involving contractual arrangements for space or facilities. Alternate financing requests must be supported by an economic analysis based on the lease versus purchase decision model. Lease or debt service costs should be requested as part of an agency's operating budget during the biennium in which they occur.

Capital budget FTE summary displays actual staff and expenditures charged to capital projects in the 2001-03 Biennium and proposed staff and expenditures in the 2003-2005 Biennium. The report format and the policy guidelines for administrative and staff costs in the capital budget are contained in Section 6.

As directed by the 2001-2003 Capital Budget, the Joint Legislative Audit and Review Committee (JLARC) is conducting a study of staff, administrative and overhead costs associated with agency capital programs. Much of their analysis for this study will be based on agency responses to a detailed survey and information focusing on 2001-03 and earlier. OFM will be reviewing agency responses to the survey, as well as information submitted as part of 2003-05 budget requests.

2.6 Format of Submittal

Each section of the Ten-Year Capital Plan should contain a brief narrative describing the process used by the agency to select the projects. This narrative should clearly describe how projects are identified and prioritized among agency programs or locations.

The biennial budget request should contain the following:

- Form C-2, present these forms in agency priority order of projects proposed for implementation in each of the next five biennia.
- Capital project request from CBS.

Additional information required for projects over \$1 million and for certain proposals (lease versus purchase model).

Electronic submission of "CBS" at website

Electronic submission of capital budget data through the CBS is required. The Capital Budgeting System (CBS) is available through the web at one of two sites. For users who have access to the Statewide Intranet the address is <http://bass.ofm.wa.gov/basspr/>

If you cannot access this site or <http://swfs.ofm.wa.gov/>, you do not have access to the Statewide Intranet and will need to access through the Secured Fortress Server. To access the system through our Fortress server, the address is <https://services-bass.ofm.wa.gov/basspr/>.



You will need special access to use the Fortress server. The BASS Security Authorization Form has a selection, Statewide Intranet Access, to request access to the Fortress server. **Any changes to an agency's capital plan that occur after original submission must be submitted both as hard copy and through CBS.**

Agencies shall submit **five** copies of their Ten-Year Capital Plan, by Tuesday, **September 6, 2002**. Electronic files of the narrative materials are requested on a CD in Microsoft Office format.

Address submittals to:

Tom Boyer or Marziah Kiehn-Sanford
Office of Financial Management
P.O. Box 43113
Room 301, Insurance Building
Olympia, Washington 98504-3113

2.7 How Projects will be Evaluated



Program projects: Evaluation of capital budget program requests may include, but not be limited to, analysis based on the following criteria:

- Linkage to the strategic plan and/or how the project accommodates strategic direction.
- Is the project consistent with operating budget requests?
- Why is this project the preferred alternative?
- How does this project address the described need?
- What is the cost of the project in relation to other projects of a similar nature? Baseline will come from projects both within and outside of Washington State.

Preservation projects: Analysis may include:

- Program impact of deferral
- Tie to strategic direction
- Maintenance history
- Condition of asset as described in the facility inventory system (FIS)
- Accurate and up to date information in the FIS
- Cost of preservation vs. replacement

Grant projects: Analysis may include:

- Statutory requirements and limitations
- Overall budget limitations